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Health Coverage
Tax Credit

Overview of the HCTC Train the Trainer

Health Coverage Tax Credit Program

- I. HCTC Background, Qualifications
- II. HCTC Model
- III. Registration Process
- IV. Resources
- V. Questions and Answers
- VI. Closing



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I. HCTC Background, Qualifications

Basic HCTC Provisions of the Trade Adjustment Assistance (TAA) Reform Act of 2002

- ▲ The TAA created a tax credit for the purchase of private health insurance for certain TAA and PBGC eligibles.
- ▲ The Department of Treasury is responsible for implementing this credit under its Health Coverage Tax Credit (HCTC) Program.
- ▲ The HCTC is equal to 65% of the premium paid by eligible individuals. The credit can be claimed in advance on a monthly basis or as a lump sum when eligible individuals file their federal tax returns.
- ▲ This HCTC is offset against tax liabilities.
- ▲ The HCTC is available only for “qualified” health insurance.

Who is Eligible? TAA/ATAA

- ▲ Receiving a Trade Readjustment Allowance (TRA)
- ▲ Eligible for TRA under the TAA program but have not used up unemployment insurance (UI) benefits
- ▲ Receiving a benefit under the Alternative Trade Adjustment Assistance (ATAA) program

Who is Eligible? PBGC

- ▲ Receiving PBGC benefit payment (including a survivor, beneficiary, or alternate payee under a qualified domestic relations order)
- ▲ 55 to 65* years of age

**Individuals that are age 65 and are not eligible for Medicare or other specified coverage are eligible for the HCTC.*

Individuals are not eligible if any of the following apply:

- ▲ Claimed as dependent on another individual's tax return
- ▲ Have other specified coverage, including
 - Enrolled in a group plan available through your or your spouse's current or former employer where the employer contributes 50% or more to the cost of coverage
 - Entitled to Medicare Part A or enrolled in Medicare Part B
 - Enrolled in the State's Medicaid program
 - Enrolled in the State's **Children's Health Insurance Program** (SCHIP)
 - Enrolled in a plan in the Federal Employees Health Benefit Program (FEHBP)
 - Entitled to health coverage through the US military health system (TRICARE/CHAMPUS)
- ▲ Imprisoned by federal, state, or local authority
- ▲ ATAA candidates have additional requirements that make them not eligible for the HCTC. They should contact the HCTC Customer Contact Center regarding this criteria.

Forms of Qualified Insurance

Automatic Options

- ▲ COBRA (Consolidated Omnibus Budget and Reconciliation Act of 1986)
 - COBRA the most likely coverage vehicle in the near term
 - The COBRA legislation and extensive history provide an immediate context for HCTC implementation
- ▲ Spousal Coverage*
 - If the employer contributes less than 50 percent of the premium**
- ▲ Individual Policy
 - If the policy began 30 days prior to separation from employer

State Alternatives

- ▲ State High-Risk Pool
- ▲ Other State Arrangements
- ▲ State-based COBRA Continuation Coverage
- ▲ State Worker Plan
- ▲ Plan Similar to State Worker Plan
- ▲ Purchasing Pool
- ▲ State Qualified Health Plan

*Not for advance credit unless the spouse's plan is COBRA

**Any share of your premium that is paid by you or your spouse on a pre-tax basis is considered to have been paid by your employer and must be included as such when determining the percentage of employer coverage.

A State-Qualified Health Plan Must Have

- ▲ **Guaranteed issue:** qualifying individuals guaranteed enrollment regardless of their medical status
- ▲ **No pre-existing conditions clause:** no pre-existing restriction may be imposed on qualifying individuals
- ▲ **Non discriminatory premium:** premium may not be greater than that for similarly situated person not receiving the credit
- ▲ **Same benefits:** benefits are the same as those provided by coverage to similarly situated individuals not receiving the credit

NOTE: The above criteria will only be applied if the eligible individual had at least three months of credible coverage (with no significant break) prior to seeking enrollment.



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II. HCTC Model

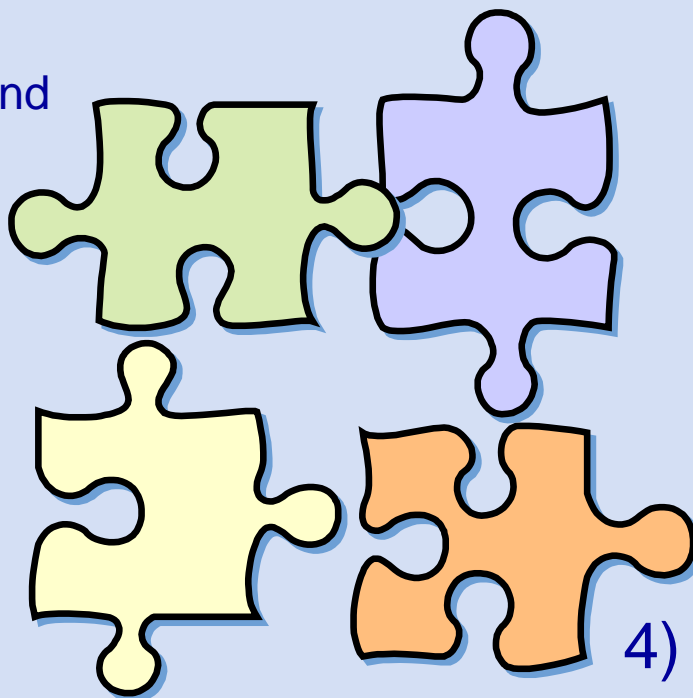
Key Components of the HCTC Program

1) Qualify Individuals

- HCTC candidates are TAA/ATAA participants and PBGC pension benefit recipients
- Individuals must also meet all eligibility criteria

2) Qualify Health Plans

- Health plans must meet four criteria to qualify for the HCTC Program
- Individuals must be enrolled in a qualified health plan to receive the HCTC



3) Claim the Credit

- Individuals must register to participate in the advance HCTC Program
- Individuals can claim the HCTC on their Federal Tax Return

4) Process Payments for advance credit

- Receive payments from HCTC participants
- Send payments to qualified health plans



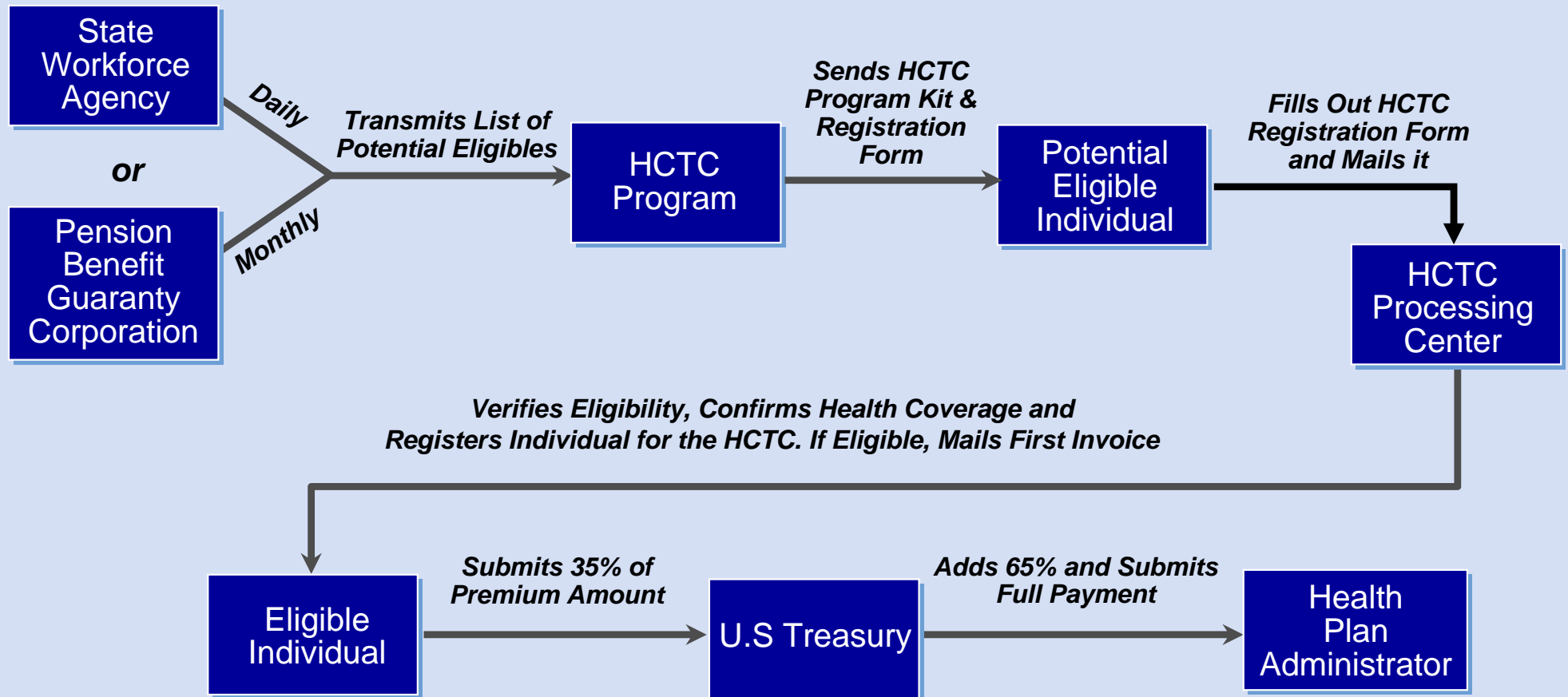
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III. Registration Process

HCTC Registration Process



- ▲ 2 Options to Claim the HCTC
 - Advance Payment (Monthly)
 - As a Lump Sum at the End of the Year on Your Federal Tax Return
- ▲ Program Kit / Registration Form Overview
 - Part I: Information About You
 - Part II: Determine Your Eligibility
 - Part III: Information About Your Qualified Health Plan
 - Part IV: Information About Qualified Family Members on Your Qualified Health Plan
 - Part V: Information About Qualified Family Members With a Separate Qualified Health Plan
- ▲ Common Mistakes / Frequently Asked Questions

Common Mistakes

- ▲ Registrants are not reading the entire question. For example, on Part II question #6: “Is your qualified health plan sponsored by your spouse’s employer?” Individuals check yes, even though 9 out of 10 times the plan is not.
- ▲ Part II Question #7: “Check the box next to your qualified health plan.” Individuals mark the type of policy incorrectly. The options are: COBRA, Non-group (Individual), State-Qualified health plan.
- ▲ Part III, the premium amounts are filled out incorrectly. Registrants write in incorrect amounts, leave the premiums blank or do not include special exceptions (i.e. vision and dental).
- ▲ Registrants do not sign the Registration Form on page 7.
- ▲ Individuals do not send in the correct documentation. See pages 7-8 of the Program Kit for details on the required documentation.



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IV. Resources

Materials Are Available for:

- ▲ All Audiences
 - HCTC Brochures
- ▲ State Workforce Agency
 - HCTC Quick Reference Cards
 - HCTC Guide for State Rapid Response Team*
- ▲ Potentially Eligible Individuals
 - TAA/ATAA Registration To-Do List*
 - PBGC Registration To-Do List*
- ▲ Employers
 - TAA/ATAA Employer Information Guide*
 - PBGC Employer Information Guide*

*Available online at **www.irs.gov (IRS Keyword: HCTC)** for your download.

Order Brochures and Quick Reference Cards through the Customer Contact Center.

Contact Information

- ▲ On the Web: <http://www.irs.gov> (IRS Keyword: HCTC)
- ▲ Toll free #: 1-866-628-HCTC (1-866-628-4282)
- ▲ TDD/TTY #: 1-866-626-4282



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V. Questions and Answers



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VI. Closing